

# *North Dakota* Tax Incentives

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For Solar, Wind  
or Geothermal  
Devices

*OFFICE OF STATE TAX COMMISSIONER*  
*Rick Clayburgh, Commissioner*

**N**orth Dakota has abundant renewable energy sources. To encourage the development of these resources, the North Dakota Legislature approved an income tax credit and property and sales tax exemptions for solar, wind or geothermal energy devices. For more information about these tax incentives, please contact the Office of State Tax Commissioner.

## Definitions

**Solar or wind energy device** means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, or to store any of these, by a method which converts the natural energy of the sun or wind.

**Geothermal energy device** means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam.

## Income Tax Credit

### *What is the tax credit?*

The credit is a direct, dollar-for-dollar reduction of the North Dakota income tax liability allowed for installing a geothermal, solar or wind energy device.

### *Who can claim the tax credit?*

Any individual, estate, trust, or corporation which files a North Dakota income tax return may claim the credit.

### *How much can be claimed as a tax credit?*

The credit is 3 percent of the actual cost of acquisition and installation of the device. (For devices installed before January 1, 2001, the credit is 5 percent.)

### ***When can this credit be claimed?***

The credit is allowed in each of five tax years—the year in which the installation is completed and the four immediately succeeding years. (For devices installed before January 1, 2001, the period is three tax years.)

### ***What are the requirements?***

- ◆ The geothermal, solar or wind energy device must be installed in a building or on property in North Dakota that is owned or leased by the taxpayer.
- ◆ If the device is part of a system that uses another means of energy, only that portion of the system's cost directly attributable to the geothermal, solar or wind device may be used in determining the amount of the credit.
- ◆ The cost of installation may not include costs to redesign, remodel or otherwise alter the structure of a building in which a geothermal, solar or wind energy device is installed.

### ***How is the tax credit claimed?***

To claim the credit, enter it on the appropriate line of the North Dakota individual, fiduciary, or corporation income tax return. In addition, a supporting statement describing the system, its costs, and the date on which installation was completed must be attached to the return. For individuals, the credit is allowed only on Form ND-2 (the optional method). For an estate or trust, the credit is allowed only on Form 38, Schedule 2 (the optional method). A corporation claims the credit on Form 40, Schedule TC.

## **Property Tax Exemption**

### ***What is the exemption?***

The exemption applies to any property tax that would be due on the installed solar, wind, or geothermal energy device.

### ***Who can claim the exemption?***

Any owner of real property who installs a solar, wind, or geothermal energy device.

### ***When can the exemption be claimed?***

The exemption is allowed for five years following the date the device is installed.

### ***What are the requirements?***

- ◆ Property exempted includes installations, machinery, and equipment of systems in new or existing buildings or structures. It must be designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, or to store any of these, by utilization of solar, wind or geothermal energy.
- ◆ If the solar, wind or geothermal energy device is part of a system which uses other means of energy, only that portion of the total system directly attributable to the solar, wind or geothermal energy device is exempt.

### ***How is the exemption claimed?***

Property owners wishing to apply for this exemption should contact their local assessor or their county director of tax equalization.

## **Sales Tax Exemption**

### ***What is the exemption?***

The exemption applies to any sales or use tax that would be due in the construction of a wind-powered electrical generating facility between July 2001 and January 2011.

### ***Who can claim the exemption?***

The owner of a qualifying wind-powered electrical generating facility.

### ***When can the exemption be claimed?***

The wind-powered electrical generating facility must receive prior approval from the State Tax

Commissioner to qualify for the exemption at the time of the purchase. If prior approval is not received, the wind-powered electrical generating facility must pay the tax and then apply to the State Tax Commissioner for a refund.

### ***What are the requirements?***

The exemption applies to a wind-powered electrical generating facility that has at least one single electrical energy generation unit with a nameplate capacity of one hundred kilowatts or more. The exemption will apply to building materials, production equipment and other tangible personal property used in the construction of the facility.

### ***How is the exemption claimed?***

The owner of a qualifying wind-powered electrical generating facility may request in writing a letter of exemption from the State Tax Commissioner which the owner can provide to sellers at the time of purchase. The written request for the exemption letter must contain an explanation detailing the tangible personal property to be purchased and used in the construction of the facility. If sales or use tax has been paid, the owner may apply for a refund of the amount paid. (Note: The exemption is not available to contractors, but an owner may apply for a refund of the appropriate portion of sales or use tax actually paid by the contractors on eligible building materials, production equipment, and other tangible personal property installed.)

## **Property Tax Reduction**

The taxable value of a centrally assessed wind turbine electric generation unit constructed before January 1, 2011, is calculated at 3 percent of assessed value instead of 10 percent (which applies to other property). The requirements are the same as for the Sales Tax Exemption.

# Facts About Renewable Energy in North Dakota

- ◆ North Dakota has enough potential wind energy to supply 36% of the 1990 electric consumption of the lower 48 states.
- ◆ North Dakota is #1 among all contiguous states in potential wind electrical production.
- ◆ According to the U.S. Department of Energy, North Dakota ranks fourth in the country in renewable resource potential (wind, solar, and biomass).

*Source: North Dakota Department of Commerce—  
Division of Community Services*

For information on renewable technologies, contact:

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